



# Securities Bulletin

Ohio Department of Commerce, Division of Securities • 77 South High Street, 22<sup>nd</sup> Floor, Columbus, Ohio 43215



Department  
of Commerce

Mike DeWine, Governor  
Jon Husted, Lt. Governor

Division of Securities  
Sheryl Maxfield, Director

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## ***A Message from Securities Commissioner Andrea Seidt***

In light of the ongoing developments related to the coronavirus (COVID-19) situation, I want to make you aware of what steps the Ohio Division of Securities is taking to keep our staff and our stakeholders as safe as possible. Also, be sure to read my message sent to our stakeholders regarding the Executive Order issued March 22 regarding “Stay at Home” in the Division News section of this Bulletin.



As of today:

- Division offices remain open, but a majority of Securities staff are teleworking from home.
- You may reach Securities staff members via their state email or by leaving them a voicemail message on their state office line. All staff will be responding to email and voicemail messages throughout the day every business day during this telework period.
- Our Licensing field examiners are conducting streamlined, remote examinations using phone and email correspondence in lieu of traditional on-site examinations during this time.
- Our Enforcement staff are also limiting their in-person contacts with witnesses and regulatory partners, taking advantage of phone, email, and other forms of telecommunications technology to complete their work in a virtual environment.

- We are sensitive to the challenges the crisis has created for our registered community and our constituents. Please know our staff will be responsive and receptive to requests for extensions and other appropriate forms of regulatory relief arising from service and staff disruptions occasioned by COVID-19.

We are following all of the directives and guidance issued by Governor DeWine and Ohio Public Health Director, Amy Acton, MD, related to COVID-19. As such, staff will only complete mission critical travel in-state at this time. For this reason, Outreach presentations are being postponed and staff are abstaining from industry conferences and training programs, which are being canceled or postponed in large part due to social distancing efforts to reduce viral impact.

For your safety and of our staff, we are asking you to please refrain from unscheduled walk-in visits to the office. Please work directly with Division staff via telephone or email on matters requiring staff attention. The situation remains fluid and there may be a point in time when we will take additional steps to protect the health of both our employees and the public we come in contact with.

Governor DeWine and Dr. Acton have made it a practice in sharing vital COVID-19 updates with the public at 2 p.m. every day, airing on the [Ohio Channel online](#) and local television news websites. Important information on COVID-19 is also available at the Ohio Department of Health's website, [coronavirus.ohio.gov](https://coronavirus.ohio.gov). Please keep yourself informed and stay safe.

If you have questions or concerns about this message, please don't hesitate to contact me at the following phone number or email address:

614-644-7435

[Andrea.Seidt@com.ohio.gov](mailto:Andrea.Seidt@com.ohio.gov)

Thank you,  
*Commissioner Andrea L. Seidt*

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# Cover Story

## Private Indexes in Advertising and Non-Traded REIT Valuations

By: Division Registration Section Staff

***[We are] concerned that, after a lifetime of accumulated savings, senior investors may meet the financial and risk threshold requirements to invest in more complex financial securities and that broker-dealers may be recommending unsuitable transactions to these senior investors or may not be providing proper and understandable disclosures regarding the terms and related risks of those recommended securities, particularly non-traditional investments.***

NATIONAL SENIOR INVESTOR INITIATIVE, A COORDINATED SERIES OF EXAMINATIONS  
The SEC's Office of Compliance Inspections and Examinations and FINRA

***Our seniors are too often the ones with the money when it comes to Ponzis and other investment schemes in Ohio. The Division will continue working hard to make sure those individuals – who have worked a lifetime building assets and wealth for their families – are making informed investment decisions and better protected from fraud in our markets.***

WORKING TOGETHER TO PROTECT OHIOANS  
Sheryl Maxfield  
2019:1 Ohio Securities Bulletin.

An important goal of the Ohio Division of Securities is protecting senior investors from financial abuse and exploitation. As such, the *Ohio Securities Bulletin* regularly features articles about this important subject (recently in the 2015:1 issue<sup>1</sup>, the 2018:2 issue<sup>2</sup> and the 2019:1 issue<sup>3</sup>) and the Division has prioritized educational efforts at senior-related events.

One area where many, including the elderly, are exploited is in the recommendation of unsuitable investments. Suitability problems arise where illiquid securities are sold to investors with strong liquidity needs; for example, seniors who need cash to cover medical or long-term healthcare costs. As we have written about previously, non-traded real estate investment trusts (non-traded REITs) are “generally illiquid investments with limited ability to redeem shares.”<sup>4</sup> Brokers have a strong financial incentive to sell these products as they pay brokers “some of the highest selling commissions of any investment product available.”<sup>5</sup> The SEC's National Senior

<sup>1</sup> Brian Peters, *Senior Investors: Tips to Protect Them, and You*, OHIO SECURITIES BULL., 2015:1, at 5.

<sup>2</sup> Jaqueline Williams, *Protecting Ohio Seniors from Fraud*, OHIO SECURITIES BULL., 2018:2, at 1.

<sup>3</sup> Sheryl Maxfield, *Working Together to Protect Ohioans*, OHIO SECURITIES BULL., 2019:1, at 1.

<sup>4</sup> Securities and Exchange Commission, Office of Compliance Inspection and FINRA, *National Senior Investor Initiative*, available at <https://www.sec.gov/ocie/reportspubs/sec-finra-national-senior-investor-initiative-report.pdf> (last visited April 2, 2020).

<sup>5</sup> Ohio Division of Securities, *Suitability Requirements in Direct Participation Programs*, OHIO SECURITIES BULL., 2013:2.

Investor Initiative noted non-traded REITs are among the top revenue-generating (i.e. commission-generating) securities sold to senior investors.<sup>6</sup>

In addition to liquidity challenges, non-traded REITs may underperform their traded counterparts, i.e., listed REITs traded on national exchanges, injecting another suitability hurdle brokers need to pass in recommending these products. One study featured in the SEC's Appendix to its recent Regulation Best Interest final rule concluded "[n]on-traded REITs are so inferior to traded REITs that no advisor taking due care could develop a reasonable basis for recommending a non-traded REIT."<sup>7</sup>

In view of the foregoing illiquidity and performance issues coupled with the fact non-traded REITs are proactively marketed and sold to seniors, the Division closely scrutinizes product advertising in this space. In particular, the Division has questioned marketing advertising non-traded REITs as fixed-income investments with regular distributions and little to no volatility (or having no correlation to the stock market). The Division has also questioned advertising claiming non-traded REITs outperform (or perform similarly to) other asset classes, such as the S&P 500, or bond indexes. For the reasons explained below, the Division objects to advertising that would tend to mislead investors, especially seniors, about non-traded REIT valuations and performance.

### **Non-Traded REIT Valuations**

Non-traded REITs often advertise their net asset values (or NAVs) as having little or no volatility when compared to other asset classes. Essentially, the message these marketing pieces try to convey is non-traded REITs add protection from market volatility. It is important for investors to understand non-traded REITs are not immune to fallout from market volatility and NAVs can be – and often are – vastly different than the amount of money investors receive if and when they sell their shares. Investors considering these products should know:

- **Non-traded REITs are impacted by market volatility**

The market volatility we are currently experiencing is having a direct impact on non-traded REITs. For example, Moody National REIT II, Inc.,<sup>8</sup> Procaccianti Hotel REIT, Inc.,<sup>9</sup> and InPoint Commercial Real Estate Income, Inc.<sup>10</sup> have all recently suspended their share redemption programs, meaning financially distressed investors will be unable to liquidate their shares to leverage those assets.

- **NAV's do not always hold up when REITs are publicly listed**

Even in less volatile markets where non-traded REITs are successfully converting to public listings, NAV may be misleading. There are many examples of non-traded REITs whose

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<sup>6</sup> Securities and Exchange Commission, *supra* footnote 4; *see also*, Paul J. Seguin, The Relative Value of Public Non-Listed REITs, J. OF REAL ESTATE RES., Vol 38(1) 59, at 87. (opining the "only plausible explanation [for the sale of most non-traded REITs is] the high front-end commissions or returns-to-dealer are sufficient for broker dealers to sell or 'push' these investments on the investing public").

<sup>7</sup> Craig McCann, Fiduciary Duty and Non-Traded REITs, INVESTMENTS AND WEALTH MONITOR, July/Aug. 2015, at 39, available at <https://www.slcg.com/pdf/workingpapers/Fiduciary%20duty%20and%20Non-traded%20REITs.pdf>; Securities and Exchange Commission, Regulation Best Interest: The Broker-Dealer Standard of Conduct, 84 Fed Reg 33,318, 33,431 n. 1112 (July 12, 2019) (codified at 17 C.F.R. Pt. 240);

<sup>8</sup> Moody National REIT II, Inc. Supplement No. 9 to the Prospectus (Form 424b3) (March 25, 2020), available at [https://www.sec.gov/Archives/edgar/data/1615222/000138713120003231/mnrtii-424b3\\_032520.htm](https://www.sec.gov/Archives/edgar/data/1615222/000138713120003231/mnrtii-424b3_032520.htm).

<sup>9</sup> Procaccianti Hotel REIT Inc., Supplement No. 9 to the Prospectus (Form 424b3) (March 20, 2020), available at [https://www.sec.gov/Archives/edgar/data/1692345/000110465920036910/tm2012985d1\\_424b3.htm](https://www.sec.gov/Archives/edgar/data/1692345/000110465920036910/tm2012985d1_424b3.htm).

<sup>10</sup> InPoint Commercial Real Estate Income, Inc., Supplement No. 13 to the Prospectus (Form 424b3) (March 27, 2020), available at <https://www.sec.gov/Archives/edgar/data/1690012/000156459020013341/ck0001690012-424b3.htm>.

share prices crash upon being publicly listed. For example, consider the example of American Finance Trust, Inc. (AFIN), a non-traded REIT listed on the NASDAQ Global Select Market. Before listing, AFIN valued its estimated value per share based on NAV at \$23.56. Following the first day of trading, the market priced the shares at \$15, a single-day drop of over 35%.<sup>11</sup>

- **Non-traded REIT valuations do not display a “liquidation discount”**

In efficient markets, non-traded REITs would be expected to lower or discount their share prices as compared to their listed counterparts, which can be liquidated at any time. One study estimated this difference should reflect a 12% to 13% pricing discount.<sup>12</sup> Non-traded REITs do not display this discount.

- **NAV may not incorporate all fees**

Non-traded REITs pay substantial fees including upfront fees, dealer manager fees, incentive fees, liquidation fees, stockholder servicing fees, and substantial ongoing fees thereafter.<sup>13</sup> Many of these fees are not incorporated into the NAV calculation.

- **NAV is tainted by advisor’s valuation determination**

Non-traded REIT advisors face a conflict of interest by earning a management fee based upon the valuation of assets. This is problematic as these advisors are the same parties responsible for calculating the REIT’s NAV.

### **Private Indexes and their use by non-traded REITs.**

In recent years, non-traded REIT sponsors have turned to private indexes of non-traded REIT returns to promote their performance. The two most common indexes are published by the National Council of Real Estate Investment Fiduciaries (“NCREIF”<sup>14</sup>) and the Stanger Return Indexes.<sup>15</sup> Both compile the performance of non-traded REITs, typically by combining NAV/price appreciation and distributions/cash flow yield. The sponsors of non-traded REITs use these indexes to advertise non-traded REITs as outperforming other asset classes. Investors should know:

- **Non-traded REITs have historically underperformed their traded counterparts**

In the Securities Litigation & Consulting Group study, researchers found investors “would have had 50% more wealth had they invested in a diversified portfolio of traded REITs instead of the ... non-traded REITs.”<sup>16</sup> The researchers attribute this to the high upfront fees

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<sup>11</sup> Press Release, American Finance Trust, 2018, *American Finance Trust Successfully Completes First Day of Trading On Nasdaq* (July 19, 2018).

<sup>12</sup> Seguin, *supra* footnote 7 at 85.

<sup>13</sup> Bohjalian, *The Truth About Non-Traded REITs*, COHEN & STEERS INSIGHT, November 2018, available at [https://assets.cohenandsteers.com/assets/content/resources/insight/ED2049\\_TruthAboutNon-TradedREITs.pdf](https://assets.cohenandsteers.com/assets/content/resources/insight/ED2049_TruthAboutNon-TradedREITs.pdf) at 2 (stating that “[s]ome NTRs now offer share classes with low or no up-front sales charges. However, recurring fees are still significantly higher than those of most active REIT managers, generally 2.75% until a maximum total servicing fee is achieved. NTR advisers will also generally take a promoted interest of around 10–15% once the leveraged return exceeds a specified threshold, usually 5–7%. By contrast, the typical total expense ratio for an actively managed U.S. REIT mutual fund is just 1.15%.”).

<sup>14</sup> NCREIF seeks to calculate the total return for private real estate, where “return” includes both income (i.e. cash flow yield) and price appreciation/depreciation of real estate assets. See, e.g., *Data Products*, NATIONAL CONFERENCE OF REAL ESTATE INVESTMENT FIDUCIARIES, <https://www.ncreif.org/data-products/> (last visited Apr. 2, 2020).

<sup>15</sup> The Stanger Lifecycle REIT Total Return Index and The Stanger BDC Total Return Index measure overall industry performances on a quarterly basis. *Publications*, STANGER INVESTMENT BANKING, <https://www.rastanger.com/publications/> (last visited Apr. 2, 2020).

<sup>16</sup> Brian Henderson, et al., *An Empirical Analysis of Non-Traded REITs*, THE J. OF WEALTH MGMT., Summer 2016, at 39, available at <https://www.slcg.com/pdf/workingpapers/Henderson%20Mallett%20McCann%20non-traded%20REITs.pdf>.

and expenses and significant conflicts of interest, which are not adequately factored into private index analyses.

- **Investors do not have access to the underlying data**

These indexes are private and the analytical tools and computational formulas are “available to ... members only.”<sup>17</sup> As investors do not have access to the underlying data, they do not have the opportunity to research or analyze how these figures are computed. This is especially troubling as “non-traded REITs on the other hand are illiquid, making the data gathering required for empirical research extremely time consuming.”<sup>18</sup>

- **Indexes may display an “appraisal lag”**

An industry consultant also observed the unique phenomenon of “appraisal lag” when viewing non-traded REIT results from these indexes in tandem with listed REIT returns. As he notes, “today’s [listed] REIT returns foretell the NCREIF returns that will be registered roughly 18 months from now.”<sup>19</sup>

- **Distributions are often funded from sources other than cash flow**

Private indexes report the “return” of non-traded REITs as a combination of cash flow yield and price appreciation. Non-traded REITs distribute cash flow through distributions, but these distributions come from sources other than operations. One major distribution source is a return of capital, which is simply giving investors a portion of their *money back*. As the SEC wrote, “[n]on-traded REITs may use offering proceeds, which includes the money you invested, and borrowings to pay distributions. This practice reduces the value of the shares and reduces the cash available to the REIT to purchase real estate assets.”<sup>20</sup>

- **Indirect forecast performance**

These claims indirectly forecast greater return and reduced volatility/risk, sometimes with hypothetical portfolios, resulting from a significant direct investment in the Issuer. There can be no assurance investors will receive the returns assumed by either the fixed income and equities allocation or an investment in the Issuer will perform similarly to an index.

- **Faulty apple-to-orange comparisons**

The indexes rely on historical, self-reported figures. The problem is historical data for established reporters of asset values likely is irrelevant in predicting the performance of an issuer with little to no operating history. That is especially true where the historical data involves a wholly different type of real estate; for example, the scenario where a non-traded REIT invested in a “niche” portfolio of senior or student housing inappropriately relies on index data involving hotel and resort properties. While the issuer may note these contradictions in footnote disclosure to comply with FINRA Rule 2210,<sup>21</sup> it is the favorable valuation and not the disclaimer that is touted to the investor. Some comparisons have too many or significant differences to be solved by footnote disclosure and must be removed.

## Conclusion

The Division has objected, and will likely continue to object, to the use of private indices in investor or retail-use sales literature because such claims tend to deceive investors. Investors should be skeptical about claims non-traded REITs have no or limited volatility and should remember redemption programs are ultimately at the discretion of the Boards of non-traded

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<sup>17</sup> Data Products, *supra* footnote 14.

<sup>18</sup> McCann, *supra* footnote 7.

<sup>19</sup> Pete Linneman, *The Return of Publicly and Privately Owned Real Estate*, WHARTON REAL EST. REV., Fall 2004, at 9, available at <http://realestate.wharton.upenn.edu/wp-content/uploads/2017/03/493.pdf>.

<sup>20</sup> U.S. Securities and Exchange Commission, Investor Bulletin: Non-Traded REITs, August 31, 2015, [https://www.sec.gov/oiea/investor-alerts-bulletins/ib\\_nontradedreits.html](https://www.sec.gov/oiea/investor-alerts-bulletins/ib_nontradedreits.html).

<sup>21</sup> FINRA rule requires comparisons to “disclose all material differences between investments.” -FINRA Rule 2210(d)(2) (Communications with the Public).

REITs. As is being observed now, programs will suspend share redemption plans during periods of loss or extreme volatility. Indeed, nearly all Direct Participation Programs (which include non-traded REITs) involve:

“substantial risks, including severe restrictions on liquidity that may lock-in investors indefinitely, complicated corporate structures that pose potential conflicts of interest for management, upfront fees and expenses ... substantial ongoing fees thereafter, leverage ratios that may exceed 300% of net assets, and distributions to shareholders paid from borrowings or a return of the shareholder’s investment after deducting fees paid to insiders.”<sup>22</sup>

The Division urges investors to approach these investments with caution. If you have specific questions regarding any of the topics discussed in this article, please contact the Registration Section at 614-466-4375.

[Visit our Website](#)



<sup>22</sup> Ohio Division of Securities, *supra* footnote 5.

# Licensing & Examinations Update

*The division's Licensing and Examination Section (L&E) provides timely and important information covering a wide-range of topics from A to Z that affects licensees.*

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## **SEC Updates List of Firms Using Inaccurate Information to Solicit Investors**

The Securities and Exchange Commission (SEC) announced in late February it updated its [Public Alert: Unregistered Soliciting Entities \(PAUSE\) list](#) by adding 25 soliciting entities and four fictitious regulators. Additionally, the SEC announced enhancements to the PAUSE website, which provides the list of entities falsely claiming to be registered, licensed, or located in the United States, as well as entities impersonating genuine U.S. registered securities firms and fictitious regulators, governmental agencies, or international organizations. This allows Main Street investors to better inform themselves and avoid being victims of fraud.

The entities on the PAUSE list have been the subject of investor complaints. The [latest additions](#) are firms the SEC staff found were providing inaccurate information about their affiliation, location, or registration to solicit primarily non-U.S. investors. Under U.S. securities laws, firms soliciting investors generally are required to register with the SEC and meet minimum financial standards and disclosure, reporting, and recordkeeping requirements.

The enhanced PAUSE website is now more streamlined and user-friendly with revised descriptions, relevant educational material, and new search capabilities. The new layout allows investors using internet search engines to easily find the Public Alerts.

In addition to alerting investors to firms falsely claiming to be registered, the PAUSE list flags those impersonating registered securities firms and fictitious "regulators" who falsely claim to be government agencies or affiliates. Inclusion on the PAUSE list does not mean the SEC has found violations of U.S. federal securities laws or made a judgment about the merits of any securities being offered.

The PAUSE list is periodically updated by the Office of Market Intelligence in coordination with the Office of Investor Education and Advocacy and the Office of International Affairs.

## **Quarterly Question:**

*I'm a state-licensed investment adviser. Can you remind me what my Form ADV Annual Updating Amendment and Annual Delivery obligations are? What about Interim Amendments and Delivery requirements? What are considered "material" changes?*

### **Form ADV Part 1 - Annual Updating Amendment**

Part 1 of Form ADV is required to be **updated** and **filed** in the IARD system within 90 days AFTER the end of your fiscal year.

In addition to your **Annual Updating Amendment**, you must amend your Form ADV Part 1, including corresponding sections of Schedules A, B, C, and D, by filing additional amendments promptly (defined as within 30 days) if:

# Licensing & Examinations Update

- Information you provided in response to Items 1, 3, 9 (except 9.A.(2), 9.B.(2), 9.E., and 9.F.), or 11 of Part 1A or Items 1, 2.A. through 2.F., or 2.I. of Part 1B becomes inaccurate in any way; or
- Information you provided in response to Items 4, 8, or 10 of Part 1A or Item 2.G. of Part 1B becomes materially inaccurate.

## Form ADV Part 2 (Brochure)

- **Annual Updating Amendment:** Each year at the time you file your annual updating amendment on the IARD system. The amount of client assets under management and fee schedule should be updated at this time. Item 2, Material Changes, should also be updated by clearly indicating you are including only material changes since the last annual update of your brochure. If there are no material changes since your last update, you should state there are no material changes. You must then provide the date of the last annual update of your brochure. Please note, you must maintain each update in your files.
  - **File Your Brochure** through the IARD annually within 90 days of the end of your fiscal year. However, if information in your brochure becomes materially inaccurate, you must update it promptly (defined within 30 days).
- **Annual Delivery:** Each year, advisers must either deliver within 120 days of their fiscal year-end their brochure to each client, which either includes or is accompanied by a summary of material changes (Item 2), OR you must provide a summary of material changes and offer your clients the brochure if they are interested. **If you do not have any material changes**, you do not have to deliver or offer the brochure to your clients annually.
- **Interim Delivery:** If any information in response to Item 9 of Part 2A (disciplinary information) changes, you are required to deliver an interim amended brochure to clients. An interim amendment can be in the form of a document describing the material facts relating to the amended disciplinary event.

## Material Changes

The term “material change” is not defined in the Ohio Securities Act or the administrative rules. What is a “material change” will depend on the facts and circumstances of each situation. However, as a guide, the Division has determined the following are considered material changes (non-exhaustive list):

- Change of address/location or contact information (e.g., phone number, email),
- New Owners of Investment Adviser entity,
- Significant change in services offered,
- New potential conflict of interest,
- A new fee schedule,
- Changes in disciplinary history,
- Changes in the custodian or broker used, and/or
- Changes in licensing status with the SEC or state(s)

## Revised Investment Adviser Handbook Coming Soon!

The Division is in the final stages of editing the Investment Adviser Handbook 3.0. Once the update is complete, the Handbook will replace version 2.0 on the [website](#). The Division will also obtain print versions to be mailed to all new applicant advisers and any other licensee requesting one.

# Licensing & Examinations Update

## **Trusted Contact Authorizations**

The Division strongly encourages advisers to obtain client's Trusted Contact Authorization as a best practice. This should be separate (although may be similar) to any Trusted Contact Authorizations executed between the client and third parties (e.g., your custodian).

A client's Trusted Contact Authorization may be used if the adviser has questions or concerns about the client's health (capacity and well-being) or welfare (financial exploitation), or if the adviser is unable to contact the client. The adviser would then be legally permitted to speak with the person(s) listed about the client. The Trusted Contact Authorization should be signed by the client and updated as needed. While there is no prescribed format for a Trusted Contact Authorization, advisers may wish to refer to [FINRA's template](#) (at page 4) while customizing their own.

# Enforcement Update

**Please Note:** Due to the impact of COVID-19 (coronavirus), some scheduled enforcement hearings and trials will likely be continued to future dates, depending on court directives and hearing officer schedules. This is a rapidly changing situation. If you plan to attend a hearing or trial, please contact the court or the Division prior to travelling.

*The division's Enforcement Section is a criminal justice agency authorized to investigate and report on all complaints and alleged violations of the Ohio Securities Act and related rules. The Enforcement Section attorneys represent the division in prosecutions and other matters arising from such complaints and alleged violations.*

**Janice Hitzeman**  
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## Administrative Hearings

**Steven Arthur Svetlick, CRD No. 2589535**

Division Order No. 19-022

Hearing held Feb. 10-14, 2020. Awaiting Report and Recommendation.

**Andrew Todd Roseberry, CRD No. 2589166**  
**Consolidated Financial Management Group, LLC, CRD No. 119695**

Division Order Nos. 19-028 and 19-029

Hearing Dates: TBD

**Daniel Rossi, CRD No. 1190774**

**FEIC Financial, Inc., CRD No. 25545**

**Business Equity Advisors, Inc. f/k/a FEIC Business Equity Solutions, Inc.**

Division Order Nos. 19-024 and 19-034

Hearing Dates: April 13, 2020

**Component Sourcing Group, Inc.**

**Patricia Tzannakos**

Division Notice Order No. 19-019

Hearing Date: April 13, 2020

**Dock Douglas Treece, CRD 866947**

**Treece Investment Advisory Corp., CRD No. 110449**

**Treece Financial Services Corp., CRD 23296**

Division Notice Order No. 18-023

Hearing held. Report and Recommendation issued recommending revocation. Awaiting final order.

**LA Stephenson and Company, CRD No. 167629**

**Lucien Austin Stephenson, CRD No. 3084925**

Division Notice Order No. 19-007

Hearing held. Report and Recommendation issued recommending revocation. Awaiting final order.

# **Enforcement Update**

## **Administrative Appeals**

### **TAP Management, Inc. *et al.***

Case No. 17 CV 006942, Franklin County Court of Common Pleas  
Appeal from Division Final Order No. 17-022  
Filed Aug. 2, 2017  
No oral arguments scheduled.

### **Craig Alan Sutherland, CRD No. 2001873**

Case No. 19 CVF 120692, Delaware County Court of Common Pleas  
Appeal from Division Order No. 19-040  
Filed Dec. 10, 2019

The Delaware County Court of Common Pleas issued a stay of the licensure suspension issued in this matter pending resolution of the appeal. Briefs have been filed. Awaiting oral arguments.

## **Administrative Orders**

### **Division Order No. 20-001**

Conscious Life Planning CRD No. 282758  
Christopher Scott McLaren CRD No. 2392869  
Cincinnati, Ohio

On Jan. 2, 2020, the Division issued a Termination of Order No. 19-021 based on a finding on Dec. 12, 2019, Conscious Life Planning filed a notice of withdrawal with the Division via the IARD on Form ADV-W, which effectively resulted in a termination of Ohio licensure for both Respondents in this matter.

### **Division Order No. 20-002**

Porter Financial Planning CRD No. 150853  
Mickey Darin Porter CRD No. 5109370  
Ottawa Hills, Ohio

On Jan. 2, 2020, the Division issued a Termination of Order No. 19-017 based on a finding Porter Financial Planning failed to renew its Ohio Investment Adviser license for the year 2020, which effectively terminated the Ohio licensure of both Respondents in this matter.

### **Division Order No. 20-003**

Prestige Financial Group CRD No. 292438  
Zachary Wayne Beavers CRD No. 6601292  
Dublin, Ohio

On Jan. 2, 2020, the Division issued a Termination of Order No. 19-023 based on a finding Prestige Financial Group failed to renew its Ohio Investment Adviser license for the year 2020, which effectively terminated the Ohio licensure of both Respondents in this matter.

### **Division Order No. 20-004**

Sam Aziz CRD No. 1721932  
A Voice 4 U, LLC  
Bellbrook, Ohio

# **Enforcement** Update

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On Jan. 7, 2020, after an administrative *Goldman* hearing, the Division issued a Final Order to Revoke the Ohio Securities Salesperson and Investment Adviser Representative Licenses of Sam Aziz. The Division upheld the findings of the hearing officer in this matter, including Aziz knowingly engaged in misrepresentation and fraud in the management of one or more investor or client accounts, including those of elderly clients; knowingly engaged in churning via excessive and unsuitable trades in the light of investors' objectives; knowingly made unauthorized margin trades; knowingly breached his fiduciary duty; and lacked good business repute.

## **Division Order No. 20-005**

Ascension Energy Group, Inc.  
The Sequoia Energy Project, LLLP  
Henderson, NV

On March 6, 2020, the Division issued a Cease and Desist Order against Ascension Energy Group, Inc. and The Sequoia Energy Project, LLLP, based on findings the companies cold-called two Ohio investors who invested \$130,000 in the companies' oil and gas securities were not properly registered for sale in or from Ohio based, in part, on false statements the investments were insured from losses. The Notice Order was issued under Division Order No. 19-001. An administrative hearing was not requested in this matter.

## **Division Order No. 20-006**

AIHG USA, Inc.  
Oscar Cook  
Frank Torres  
Melbourne, FL  
Panama, Republica de Panama

On March 9, 2020, the Division issued a Cease and Desist Order against the abovenamed respondents based on allegations they engaged in fraud and misrepresentations in the sale of unregistered securities issued by an online casino and sportsbook (goldcoastbets.com). The respondents cold-called an Ohio resident and described the investment as safe and guaranteed a biquarterly return of 125% of his principal investment in the amount of \$2,500. The Illinois Secretary of State issued an Order of Prohibition against AIHG and Cook on April 4, 2017, based on the sale of unregistered securities and fraud. The website has since been deactivated.

## **Division Order No. 20-007**

Global Wealth Investments, Inc.  
Cincinnati, Ohio

On March 12, 2020, the Division issued a Cease and Desist Order with Consent Agreement naming Global Wealth Investments, Inc. ("GWI") based on a finding the company engaged in the sale of unregistered securities. The order further found GWI filed a Form D with the SEC claiming an exemption from registration under Rule 506(B) but failed to notice file the Form D with the Division as required by statute. The order found the conditions of the exemption were not met because GWI engaged in general solicitation and did not take reasonable steps to verify accredited investor status for any investors during the relevant time period. The Division further

# **Enforcement Update**

found GWI engaged in unlicensed activity by charging and receiving commissions in the form of “membership fees” equal to 1% of the total investment amount.

## **Criminal Cases**

### **State v. Kenneth M. Brugh**

Case No. 19 CR 001382

Lake County Court of Common Pleas

Pre-trial Hearing: April 6, 2020

On Feb. 27, 2020, Kenneth M. Brugh, was arrested during a traffic stop in Lake County on an outstanding warrant issued in January. Brugh was indicted by a Lake County grand jury on multiple counts of fraud and theft, following a criminal referral by the Ohio Department of Commerce’s Division of Securities. The charges include one count of engaging in a pattern of corrupt activity, a first-degree felony, two counts of theft from the elderly, one being a second-degree felony and another being a third-degree felony, one count of telecommunications fraud, a second-degree felony, one count of securities fraud, a third-degree felony, and one count of aggravated theft, a third-degree felony. The indictment alleges Brugh solicited multiple Ohio residents and one Florida resident to invest in sham investments based on false and fraudulent information and misappropriated the funds for personal use. This case is being prosecuted by Ohio Attorney General Dave Yost’s Special Prosecution section.

### **State v. John Case**

Case No. 18 CR 000991

Franklin County Court of Common Pleas

TBD (warrant outstanding)

### **State v. Brian K. Decker CRD 4565524 (inactive)**

Case No. 18 CR 395

Wood County Court of Common Pleas

Brian K. Decker, a resident of Staten Island, New York, was sentenced March 30, 2020, by Judge Mary “Molly” Mack in the Wood County Court of Common Pleas to five years of community control plus 60 additional days in jail and was ordered to pay \$300,000 in restitution to his victim. If Decker violates conditions of community control he can be sentenced up to 25½ years in prison and three years community control upon release.

Decker pleaded guilty Jan. 27, 2020, to two counts of unlawful securities practices, one count of theft from a protected class, and one count of telecommunications fraud, all second-degree felonies; and failure to appear, a fourth-degree felony, which was result of Decker failing to appear for his jury trial in July 2019. Decker accepted a permanent bar from the Financial Industry Regulatory Authority (FINRA) on May 8, 2018, and is not licensed by the Division to act as a securities salesperson in Ohio.

### **State v. Jeffrey B. Hall CRD No. 1871653 (inactive)**

Case Nos. 17 CR 004124/18 CR 001232

Franklin County Court of Common Pleas

Trial Date: May 28, 2020

# **Enforcement Update**

On Feb. 4, 2020, Jeffrey B. Hall pleaded guilty in the Franklin County Court of Common Pleas to multiple counts of fraud, including: one count of securities fraud, a second-degree felony, three counts of unlicensed sales of securities, two of which are third-degree felonies and the other a fourth-degree felony, and one count of telecommunications fraud, a third-degree felony. Sentencing is scheduled for May 28.

## **State v. Benson Jean-Louis**

Case No. 18 CR 004814

Franklin County Court of Common Pleas

On Feb. 7, 2020, Benson Jean-Louis was sentenced by Judge William Woods in the Franklin County Court of Common Pleas to 24 months in prison for securities fraud. The sentence is suspended based on successful completion of five years of community control. At sentencing, Jean-Louis provided \$31,400 in partial restitution to the victim, having made another \$2,000 payment prior to sentencing. He was ordered to pay an additional \$216,600 restitution in monthly payments as a term of his community control.

## **State v. Judith O. Nagy**

Case No. CR18631581-A

Cuyahoga County Court of Common Pleas

Pretrial Hearing Date: March 19, 2020

Following a criminal referral by the Ohio Division of Securities, Judith O. Nagy was indicted August 23, 2018, by a Cuyahoga County grand jury on a total of nine counts including: three counts of theft, all felonies of the third degree, three counts of money laundering, all felonies of the third degree, two counts of forgery, both felonies of the fourth degree, and one count of telecommunications fraud, a felony of the fourth degree.

The indictment alleged from July 1 to Aug. 31, 2010, Nagy deposited \$20,426.21 in forged checks from an elderly Ohio couple's investment account into her business account, Specialized Group Services, Inc. Nagy allegedly used the funds for personal expenses. The telecommunications fraud charge is based on a \$10,000 wire transfer from the Specialized Group Service, Inc. account to the business account of Infinite Financial Services, Inc., another business operated by Nagy, in furtherance of the fraud.

Nagy pleaded guilty to theft in an unrelated Cuyahoga County case on June 12, 2017. She was sentenced to 72 months in prison and ordered to pay \$20,000 in restitution to the victims in that case, \$20,000 in fines, as well as costs of prosecution. Nagy was previously licensed as an investment advisor by the Division of Securities and licensed to sell insurance by the Ohio Department of Insurance. Nagy voluntarily terminated her securities salesperson license in 2012. The Department of Insurance revoked her license in 2015. This case is being prosecuted by the Office of the Cuyahoga County Prosecutor Michael C. O'Malley.

## **State v. Michael Neubig**

Case No. 18 CR 004998

Franklin County Court of Common Pleas

Pre-Trial Date: March 26, 2020

# **Enforcement Update**

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## **State v. Shaneal Yogesh Patel**

Case No. B1901113

Hamilton County Court of Common Pleas

Hearing Date: TBD - Awaiting extradition from Florida

## **State v. Aaron S. Pitman**

### **State v. George R. Hammons**

Case Nos. 19CR139/19CR141

Meigs County Court of Common Pleas

Pitman Trial Date: April 27, 2020

On Feb. 25 2020, Hammons was sentenced to five years community control and ordered to pay \$10,000 in restitution to the victim in this case. As part of the plea, Hammons agreed to testify at trial against Aaron Pittman, which is scheduled for April 27, 2020. Final pre-trial is scheduled for April 15, 2020.

## **State v. Nicholas J. Pupino**

Case No. 2019 CR 01086

Mahoning County Court of Common Pleas

Pre-trial Hearing: April 16, 2020

## **State v. Raymond D. Sarrocco**

Case No. 19 CR I 04 0257

Delaware County Court of Common Pleas

Trial Date: April 28, 2020

## **State v. Jeffery Luke Westerman**

Case No. 18 CR 006309

Franklin County Court of Common Pleas

Pre-trial Date: April 14, 2020

## **State v. Robert White**

Case No. 2019 CR 000149

Clermont County Court of Common Pleas

Sentencing Date: July 1, 2020

On Jan. 27, 2020, White pled guilty to six third-degree felony counts of making false representations in the sale of securities. White was indicted by a Clermont County grand jury in February 2019 after an investigation by the Ohio Department of Commerce's Division of Securities and the Union Township Police Department. The indictment alleged White solicited his tax accounting firm clients and others to invest in Platinum Franchising, LLC, a tax franchise business, based on promises of significant returns. White converted those investments to his own personal use, used them to pay back prior investors, and used them to pay for ongoing expenses of his existing business, Robert L. White and Associates, Inc., located in Cincinnati. The offering was not registered with the Division for sale in Ohio. White's CPA license was revoked in 2015.

# **Enforcement Update**

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**State v. Michael D. Wood**

Case No. 19 CR I 11 0776  
Delaware County Court of Common Pleas  
Jury Trial: April 21, 2020

## **CRIMINAL APPEALS**

**State v. Kimm Hannan**

Case No. 2018CR0520  
Stark County Court of Common Pleas  
Case No. 2019CA00037  
Fifth District Court of Appeals

On March 2, 2020, the Fifth District Court of Appeals issued an opinion affirming the criminal conviction and sentence in this matter.

**For further information on these cases, visit:**

[https://www.com.ohio.gov/documents/secu\\_Bulletin2019FourthQuarter.pdf](https://www.com.ohio.gov/documents/secu_Bulletin2019FourthQuarter.pdf)  
[https://www.com.ohio.gov/documents/secu\\_Bulletin2019ThirdQuarter.pdf](https://www.com.ohio.gov/documents/secu_Bulletin2019ThirdQuarter.pdf)  
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[http://com.ohio.gov/documents/secu\\_Bulletin2018FirstQuarter.pdf](http://com.ohio.gov/documents/secu_Bulletin2018FirstQuarter.pdf)

## **Ohio Issues Stay-At-Home Order**

On March 22, Gov. DeWine and Ohio Public Health Director, Dr. Amy Acton, issued a "Stay-At-Home" order to slow the community spread of COVID-19 (also known as the coronavirus).

The order went into effect at 11:59 p.m. March 23 and will remain in effect until 11:59 p.m. April 6, unless the order is rescinded or modified. The entire order can be found [here](#), as well as relevant guidance from the U.S. Department of Homeland Security's Cybersecurity and Infrastructure Security Agency (CISA), which is specifically incorporated by reference in the order.

Please review the order and the accompanying CISA guidance, to determine how they impact your business operations here in Ohio. It is important to note many financial services activities are exempt from the restrictions set forth in the order – and should continue operating – because those activities constitute or support “Essential Businesses and Operations.” The financial services entities that fall in this category are those identified in CISA’s March 19 guidance (noted in order at 12a) or are amongst the financial and insurance institutions specifically noted in the order at 12i.

CISA identifies the following types of “Financial Services” employees as essential critical infrastructure workers that are exempt from the order:

- Workers who are needed to process and maintain systems for processing financial transactions and services (e.g., payment, clearing, and settlement; wholesale funding; insurance services; and capital markets activities),
- Workers who are needed to provide consumer access to banking and lending services, including ATMs, and to move currency and payments (e.g., armored cash carriers); and
- Workers who support financial operations, such as those staffing data and security operations centers.

“Financial and insurance institutions” (noted in 12i) include: banks, currency exchanges, consumer lenders, pawnbrokers, consumer installment lenders, sales finance lenders, credit unions, appraisers, title companies, financial markets, trading and futures exchanges, payday lenders, affiliates of financial institutions, entities that issue bonds, related financial institutions, institutions selling financial products; insurance companies, underwriters, agents, brokers, and related insurance claims and agency services.

You may find that your business qualifies for exemptive relief from the order under both bases. To be sure, the financial services industry has a special responsibility to maintain the services and functions that Ohioans depend on daily and need to operate resiliently during the pandemic response. On behalf of the Division of Securities, thank you for your sacrifice and everything you are doing to help our residents during this difficult time. Please be safe.

## **Laura Littlejohn Promoted**

Congratulations to Laura Littlejohn, who was recently promoted to investigator. In her new role, she will assist the Enforcement, Registration, and Licensing sections and individual case

# Division News

managers with administrative duties relating to initial and ongoing investigations and enforcement actions.

Laura has been with the Division for nearly four years as an administrative professional on the Enforcement team, assisting staff with various aspects of case management.

## Outreach and Education Update

In February, the Division shared tips on how to avoid fraud with seniors at the Sneh Community Center in Columbus. In early March, staff partnered with the Ohio Attorney General's office to provide information about the Division as part of Consumer Protection Week.

## 2020 Outreach Calendar (as of March 20)

**PLEASE NOTE** – As you may have read on page one of this edition, the Division of Securities has taken several steps to keep our staff and our stakeholders as safe as possible in light of the ongoing developments related to COVID-19 (also known as the coronavirus). The Division is following Gov. DeWine's directive related to travel. As such, Outreach presentations are postponed for the time being, with the goal being to reschedule all previously scheduled presentations and participate in other planned events when the time is right to do so.

## Securities Division Highlighted on Central Ohio TV Segment



As part of Consumer Protection Week in March, the Securities Division was highlighted in a [TV segment on the Columbus ABC affiliate](#).

Securities Commissioner Andrea Seidt was interviewed by Jesse Pagan from WSYX-TV on what consumers should consider when investing to ensure they're making wise decisions, and what red flags to look for to avoid being scammed.

# Division News

Later in the week, several staff members from the divisions of Securities and Real Estate took consumer calls during a live phone bank during the 5 p.m. and 6 p.m. newscasts on WSYX-TV. Callers were encouraged to ask questions about how to prevent fraud and be more informed consumers.



## Save the Date for the 2020 Ohio Securities Conference



This year's Ohio Securities Conference will take place Oct. 16, at a new location, the Sheraton on Capital Square in downtown Columbus.

With Election Day happening a little more than two weeks later, the theme this year will revolve around potential changes in federal and state politics that could affect the financial services industry.

Rick Fleming, director of the SEC's Office of the Investor Advocate, will be one of the keynote speakers. Additional topics and presenters are being developed, so be sure to watch for updates in the next issue of the *Ohio Securities Bulletin* and in emails.



### Follow Us On Twitter

Be sure to follow us [@OHSecuritieDiv](https://twitter.com/OHSecuritieDiv). We post news and information about the Division, plus tips to help Ohioans become more savvy investors and avoid getting scammed.

## NASAA News

### Report Shows Positive Impact in Fight Against Senior Financial Exploitation

In February, the North American Securities Administrators Association (NASAA) said reports of suspected senior financial exploitation are increasing in jurisdictions enacting legislation or

# Division News

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regulations based on NASAA's Model Act to Protect Vulnerable Adults From Financial Exploitation.

"We are pleased the NASAA model act is helping states in their fight against senior financial exploitation. The model act is on a course to become operative in a majority of states this year and as more states enact legislation based on this model we expect to see additional reporting leading to more enforcement actions and greater protections for seniors and other vulnerable adults," said Christopher W. Gerold, NASAA president and chief of the New Jersey Bureau of Securities.

Twenty-five jurisdictions throughout the United States have adopted legislation or regulations based on or similar to the NASAA model act since NASAA members voted to adopt the model act in 2016. On Jan. 13, New Jersey became the most recent state to enact a law based on the NASAA model act and several additional states are expected to consider legislation based on the NASAA model this year.

The model act provides industry participants and state regulators new tools to help detect and prevent financial exploitation of vulnerable adults. In particular, the model act offers broker-dealer and investment adviser firms qualified immunity for delaying disbursements when the firm reasonably believed financial exploitation would result. The act also mandates reporting to a state securities regulator and state adult protective services agency when a qualified individual has a reasonable belief financial exploitation of an eligible adult has been attempted or has occurred.

NASAA's 2019 Enforcement Report for the first time documents the effectiveness of the model act. In 2018, the latest available data, states enacting legislation based on the NASAA model received more than 400 reports from broker-dealers and investment advisers. These 400-plus reports shed light on victims of securities fraud, elder exploitation, and other seniors who need some form of assistance.

States have taken action to prevent or stop senior financial exploitation, to punish those responsible, and have also referred reports to more appropriate agencies and sometimes even sought to refer seniors to non-investigative services. Based on 426 received reports, state securities regulators opened 81 investigations, and initiated 32 formal enforcement actions. Reporting firms also delayed the disbursements of funds 57 times.

Many of the first states to enact the model act have seen a drastic increase in use of these statutes and the number of reports of potential financial exploitation from firms. For example, in 2018, the number of reports received in Alabama, which enacted the NASAA model in 2016, increased 225% over fiscal year 2017. Alabama's reports are on track to exceed fiscal 2018's numbers.

NASAA and its members, the state and provincial securities regulators of the United States, Canada and Mexico, have long been leaders in the fight against senior financial exploitation. The NASAA model act is one of several initiatives NASAA and its members have undertaken to protect seniors and other vulnerable investors.

To learn more about the NASAA senior investor initiatives, including a [legislative update for 2020](#), visit the Senior Issues page under Industry Resources on NASAA's website or NASAA's Serve Our Seniors website at [serveourseniors.org](http://serveourseniors.org).



## NASAA Introduces New Podcast Series “Real Life Regulators”

The North American Securities Administrators Association launched in January “Real Life Regulators,” a podcast featuring investment fraud cases from the files of state and provincial securities regulators and discussing how these

regulators bring fraudsters to justice.

“Real Life Regulators” is produced by the Life Stages Project Group of NASAA's Investor Education Section. In the premier episode, investigators and lawyers from the Connecticut Department of Banking's Securities and Business Investment Division discuss how an unscrupulous financial adviser took advantage of a widowed client and drained her investment account to pay down debt and spend on personal expenses, including limousines, expensive dinners and sporting events.

“Real Life Regulators” is available on iTunes and Google Play and on the [NASAA website](#). NASAA also produces a separate podcast, [NASAA Talks](#), focused on policy and compliance matters of interest to investment professionals.

## Industry News

It's no surprise COVID-19 (coronavirus) has disrupted normal business operations in the U.S. and globally. Industry regulators and associations have responded in myriad ways to help the public and industry professionals deal with the crisis.

What follows is a compilation of guidance messaging from various industry related groups as of March 20 published by NASAA after receiving inquiries from NASAA members regarding potential regulatory relief for registrants and licensees by state securities regulators in light of the ongoing impact of COVID-19.

SIFMA staff has also been in touch with several NASAA members and the NASAA corporate office staff regarding “shelter in place” directives from state and local governments. SIFMA has asked – to the extent such directives are issued and contain exemptions for financial institutions –broker-dealers, exchanges, and investment advisers be included in those exemptions. Certain operational functions at these firms are not easily managed through remote access or teleworking. For the foreseeable future, communications with firms should likely be electronic since many staff are teleworking.

## SEC

### **Relief for Public Reporting Companies**

On March 4, the SEC issued a [Release](#) announcing the Commission had issued an [Order](#) to provide certain conditional relief and assistance for public reporting companies affected by COVID-19.

### **Extension of Deadlines for Federal-Covered Investment Advisers and Investment Companies**

On March 13, the SEC issued a [Release](#) announcing the Commission had issued two orders of relief.

- The first [Order](#), under the Investment Advisers Act, provides investment advisers with filing deadlines related to Forms ADV and PF between March 13 and April 30 up to 45 days from the original due date to make such filings. ***The attached model order contains a provision granting a similar extension for state-registered investment advisers.***
- The second [Order](#), under the Investment Company Act, temporarily alleviates the requirement of “in-person” voting, certain filing deadlines, annual and semi-annual reporting deadlines, and the requirement to file Form N-23C-2 at least 30 days prior to calling or redeeming securities.

## FINRA

### **COVID-19 Topic Page**

FINRA has deployed a COVID-19 [webpage](#) to help their stakeholders stay informed.

### **COVID-19 Guidance on FINRA-Administered Exams**

Prometric is closing its testing centers in the United States and Canada for a period of 30 days, starting March 18. Candidates who have an existing appointment will receive an email from Prometric with instructions on how to reschedule their appointment to a future date; rescheduling fees will not be applied. To change an existing appointment scheduled over 30 days (April 16 or later) or to schedule a new appointment, please access the [Prometric website](#).

Additionally, FINRA is aware of the challenges COVID-19 is presenting for our candidates who want to take exams. FINRA will extend all enrollment windows currently open and scheduled to expire by the end of May. Each FINRA-administered exam enrollment end date will be extended through the same end date of May 31.

### **Relief for Broker-Dealer Branch Filings for Temporary Locations**

On March 9, FINRA released [Regulatory Notice 20-08](#) which, among other things, temporarily suspends FINRA’s requirement to update Form U4 information regarding employment addresses for registered persons who must temporarily relocate as a result of COVID-19. FINRA members will also not be required to submit a Form BR for any newly-opened temporary location established as a result of COVID-19.

# **Division News**

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## **Wet Signature Relief**

On March 18, FINRA released updated [Frequently Asked Questions](#) which grants temporary relief for member firms from the requirement to collect manual (wet) signatures on an initial or transfer Form U4, provided the firm: (1) provides the applicant with a copy of the completed Form U4 prior to filing, (2) obtains the applicant's written acknowledgment (which may be electronic) prior to filing the information has been received and reviewed, and the applicant agrees the content is accurate and complete, (3) retains the written acknowledgment in accordance with SEA Rule 17a-4(e)(1) and makes it available promptly upon regulatory request, and (4) obtains the applicant's manual signature as soon as practicable.

***The CRD/IARD Steering Committee recommends jurisdictions consider allowing the same types of accommodation during this complicated time, and the attached model order contains a provision to that effect.***

## **State Regulators and NASAA**

### **Membership Relief Efforts**

- On March 9, Florida issued an [Order](#) declaring a state of emergency and granting flexibility to the securities industry.
- Maryland is working to extend the period of registration for any franchisor whose registration would otherwise expire during this current state of emergency to 30 days after the end of the state of emergency.
- Georgia has issued two Orders in response to COVID-19. The state's first [Order](#) grants temporary relief from fingerprint filing requirements. The second [Order](#) extends the deadline for IA annual update amendments to April 30.

### **Extension of Examination Windows for the Series 63, 65 and 66**

The Corporate Office, jointly with FINRA, has agreed to extend examination windows for those impacted by COVID-19. In addition, Prometric, NASAA's testing vendor, has agreed to waive their late cancellation fee for similar situations.

The Ohio Securities Exchange provides a platform where views and opinions related to the securities industry can be shared from sources outside the Division of Securities. The division encourages members of the securities community to submit articles pertaining to Ohio securities law and regulations.

If you are interested in submitting an article, contact the editor, Dan Orzano, [Daniel.Orzano@com.state.oh.us](mailto:Daniel.Orzano@com.state.oh.us) for the publication schedule and submission requirements. The division reserves the right to edit submitted articles for publication.

*Disclaimer*

*The view and opinions expressed in the Ohio Securities Exchange solely represent those of the contributors. The Division of Securities takes no position on the material presented.*

## STABLE Accounts are Changing Lives

*By: Ohio Treasurer Robert Sprague*

As financial advisors and wealth managers, you understand the importance of giving back to your customers and providing them with opportunities to make their lives and the lives of their families better. At the Treasurer's office, we're also committed to helping all Ohioans thrive, which is why we're partnering with the financial services industry to promote the STABLE Account program.

Before passage of the federal Achieving a Better Life Experience (ABLE) Act, individuals with disabilities could only save a total of \$2,000 before they would lose their means-tested benefits such as Medicaid or Supplemental Security Income (SSI). Disability-related expenses can pose a financial burden to

many people and their families, and the old rules discouraged people from saving and investing. The ABLE Act authorized the creation of 529-like plans that act as specialized savings and investment accounts for people with disabilities that won't cause them to lose benefits.

Earnings on a STABLE account grow tax-free and are not subject to federal income tax, so long as the funds are spent on Qualified Disability Expenses. These expenses include education, housing, transportation, healthcare, assistive technology, basic living expenses, and many other items.

Since the STABLE Account program was launched in Ohio in 2016, we've been the national leader in ABLE accounts. STABLE accounts were the first of its kind, and today, over a quarter of all ABLE accounts across the country are STABLE accounts. In fact, we recently crossed the 15,000 mark for total active accounts. We're also climbing towards the \$100 million mark in assets under management.

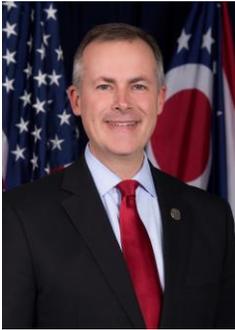
These aren't just numbers – they tell a story about how STABLE accounts are changing lives. Through this work, we're helping 15,000 families save and plan for the future. The \$97 million we currently have under management is \$97 million that would have otherwise been spent down, but now can be saved and spent on something meaningful. We continue to hear stories about individuals living more independently - even putting down payments on their first homes. Positive and impactful stories like these are why we are reaching out to more Ohioans to get them enrolled.

Signing up for a STABLE account couldn't be easier. Visit our website at [www.STABLEAccount.com](http://www.STABLEAccount.com), then select the "open an account" button. The whole enrollment process takes about 20 minutes.

I can't stress enough the impact STABLE accounts can have on someone's life and the life of their family. Through the accounts, we're helping people provide financial security for themselves or their loved ones and save for disability-related expenses. But we can't do this work alone. The Treasurer's office is actively engaging the financial services industry to spread the word about STABLE accounts.

If your organization is interested in requesting an in-person training or a joint presentation, please contact our STABLE Account team at [team@stableaccount.com](mailto:team@stableaccount.com).

We look forward to continuing our strong partnership with you and will continue to provide important updates from the office. In the meantime, I would encourage you to follow us on Twitter, Facebook and Instagram at @OhioTreasurer for the latest news and information. Please do not hesitate to reach out to us – my door is always open and I'm always looking for new ideas and ways to connect.



*Robert Sprague became Ohio's 49th Treasurer of State on Jan. 14, 2019, bringing to the office his extensive experience working on financial matters in both the public and private sectors. Under Treasurer Sprague's direction, the office manages the state's \$20 billion investment and \$10 billion debt portfolios, collects and deposits all state revenues, and oversees custodial assets.*